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**U.S. House of Representatives**  
**Committee on Financial Services**  
2129 Rayburn House Office Building  
Washington, DC 20515

December 4, 2007

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The Honorable Christopher Cox  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Chairman Cox:

When Congress enacted the Sarbanes-Oxley Act of 2002 (SOX or the Act), it did so to promote greater transparency in financial reporting, increase accountability in boardrooms, protect investors and promote good corporate governance. The legislative response to the corporate accounting scandals helped restore confidence in the U.S. capital markets and support efficient pricing and valuation of securities.

Five years later, however, many of us continue to be concerned about the financial and regulatory burdens imposed on publicly traded companies by Section 404 of the Act, particularly on smaller issuers and their auditors. While the Act does not make any distinctions based on a company's size or complexity, it does provide the Commission and the Public Company Accounting Oversight Board (PCAOB) with the regulatory flexibility to implement the Act.

It has taken the Commission almost five years to issue guidance to management regarding Section 404(a), during which time many public companies have come to rely on and use an auditing standard that was intended for the external auditor, not the issuer. That reliance has contributed to the high cost of compliance.

We congratulate the Commission for adopting risk-based, common-sense management guidance on internal control over financial reporting in May of this year. This guidance should go a long way toward mitigating the financial burden of SOX compliance. The PCAOB, with the adoption of Auditing Standard No. 5 in July, eliminated a cumbersome and often-criticized standard and replaced it with a risk-based, scalable and top-down standard that should eliminate unnecessary audit work and focus on those areas that could lead to a material misstatement. Even with these constructive regulatory initiatives, however, many small public issuers still lack the internal resources and specialized expertise in their finance and internal audit functions necessary to be fully compliant with the Act.

Non-accelerated filers -- those companies with less than \$75 million in market capitalization -- will file their first management assessment of the company's internal control over financial reporting in annual reports for fiscal years ending on or after December 15, 2007 in 2008. An auditor attestation would not be required to accompany

The Honorable Christopher Cox  
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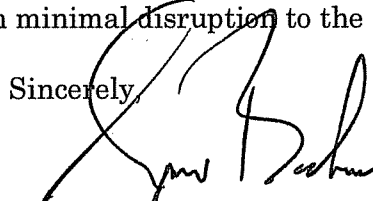
the first management report in 2008, but would be required to accompany the management report in 2009 annual reports.

Rather than require the 2009 auditor attestation, which could lead to increased restatements, the SEC should use the 2008 experience to evaluate Section 404 compliance and issue further clarification to its management guidance. This would allow small issuers two years to implement a Section 404 internal control environment which is not overly burdensome and is cost effective. It will also enable small auditing firms that have yet to perform a Section 404 audit an additional year to analyze the PCAOB's October 17 guidance to auditors in performing audits of smaller, less complex companies and participate in PCAOB-sponsored small-business auditing forums.

SOX-compliant companies and their auditors already have four years of experience with the Section 404 regime and have the financial and human resources necessary to evaluate and implement the SEC's new management guidance and Auditing Standard No. 5. The Commission and PCAOB should look to these companies and their auditors to determine if the new guidance and auditing standard are meeting expectations.

We therefore request that the Commission extend the requirement for auditor attestation to accompany the management report for fiscal years ending on or after December 15, 2009. This additional year will ensure that small issuers and their auditors have the time necessary to comply with Section 404 with minimal disruption to the capital markets.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer Bachus", written over the word "Sincerely,".

SPENCEL BACHUS  
Ranking Member

cc: The Honorable Mark Olson, Chairman, Public Company Accounting Oversight Board  
The Honorable Barney Frank